

FISCAL NOTE

Bill #: HB0007

Title: Submit repeal of state inheritance tax to electors

Primary

Sponsor: Rick Jore

Status: Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:			
General Fund	(\$23,140)	(\$60,539)	(\$60,539)
Proprietary	\$29,736		
Revenue:			
General Fund	(\$5,681,000)	(\$12,698,000)	(\$12,809,000)
Net Impact on General Fund Balance:	(\$5,657,860)	(\$12,637,461)	(\$12,748,461)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. The estate tax will continue to be collected.
2. Inheritance Taxes will be eliminated retroactively to January 1, 2000.
3. Heirs have eighteen months to pay inheritance taxes. Inheritance tax collection activities will need to continue through June 30, 2001.
4. Heirs will take eighteen months to pay inheritance taxes. Collections of taxes resulting from deaths through December 31, 1999 will occur through June 30, 2001.
5. There are four FTE allocated to administering the inheritance and estate taxes. Approximately 2.5 FTE is associated with the inheritance tax, and 1.5 FTE with the estate tax.
6. One FTE would be eliminated in FY2001, and 1.5 FTE would be eliminated in FY2002

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7. Total inheritance and estate tax collections under current law are \$18.327 million in FY2001, \$20.480 million in FY2002, and \$20.660 million in FY2003.
8. Inheritance tax receipts were 62% of combined inheritance and estate tax collection in FY 1998. This ratio will remain the same in the future.

Secretary of State

9. This legislative referendum will be presented to the electorate at the regularly scheduled statewide general election on November 7, 2000. A voter information pamphlet (VIP) will be prepared for LR-115 (HB540) and C-34 (SB23). It will be 40 pages in length. The Secretary of State and county election administrators have resources budgeted for the preparation, printing and distribution of an average size VIP. The average VIP in past years has been 40 pages.
10. A voter information pamphlet (VIP) will be printed for this issue. The VIP will be 24 pages in length for LC0013. There will be 525,000 VIPs printed and circulated.
11. The cost to the Secretary of State for printing the VIP will be \$29,736. (24 pages * \$.00236/page * 525,000 VIPs).
12. The cost to the counties for distribution of the VIP will be \$105,286. (24 pages * .008356/page * 525,000 VIPs).
13. The Secretary of State will pay for the VIP through its proprietary fund.
14. There is a regularly scheduled statewide election in November 2000, therefore there will not be additional expenses to the state and county to hold the election

FISCAL IMPACT:

	<u>FY2001</u> <u>Difference</u>	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
FTE	(1.0)	(2.5)	(2.5)
<u>Expenditures:</u>			
Personal Services	(\$21,664)	(\$56,849)	(\$56,849)
Operating Expenses	<u>\$28,260</u>	<u>(\$3,690)</u>	<u>(\$3,690)</u>
TOTAL	\$6,596	(\$60,539)	(\$60,539)

Funding:

General Fund (01)	(\$23,140)	(\$60,539)	(\$60,539)
Proprietary (06)	\$29,736		

Revenues:

General Fund (01)	(\$5,681,000)	(\$12,698,000)	(\$12,809,000)
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$5,657,860)	(\$12,637,461)	(\$12,748,461)
Proprietary (06)	(\$29,736)		

LONG-RANGE IMPACTS:

The reduction in general fund revenue will grow over time. The average annual growth rate of inheritance tax collections from FY90 through FY00 is 6.5%

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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES

County election administrators have resources budgeted for the preparation, printing and distribution of an average size VIP. The average VIP in past years has been 40 pages. The cost to the counties for distribution of the VIP for this issue will be \$105,286. (24 pages * .008356/page * 525,000 VIPs).

TECHNICAL NOTES:

1. Section 5 leaves intact the requirement that estate taxes must be paid under protest for a taxpayer to challenge them but eliminates the reference to procedures for paying under protest.
2. When considering the costs of an electorate vote, any costs greater than \$194,203 which are distributed to the counties must be funded by the Legislature. (1-2-112, MCA).